

VZCZCXRO8381

PP RUEHRG

DE RUEHSO #0090/01 0421148

ZNY CCCCC ZZH

P 111148Z FEB 09

FM AMCONSUL SAO PAULO

TO RUEHC/SECSTATE WASHDC PRIORITY 8942

INFO RUEHAC/AMEMBASSY ASUNCION PRIORITY 3662

RUEHBR/AMEMBASSY BRASILIA PRIORITY 0098

RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 3415

RUEHCV/AMEMBASSY CARACAS PRIORITY 0791

RUEHLP/AMEMBASSY LA PAZ PRIORITY 4058

RUEHMN/AMEMBASSY MONTEVIDEO PRIORITY 2849

RUEHSG/AMEMBASSY SANTIAGO PRIORITY 2662

RUEHRG/AMCONSUL RECIFE PRIORITY 4295

RUEHRI/AMCONSUL RIO DE JANEIRO PRIORITY 9019

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHMFSS/CDR USSOUTHCOM MIAMI FL PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 05 SAO PAULO 000090

SIPDIS

NSC FOR LROSSELLO

E.O. 12958: DECL: 02/05/2029

TAGS: PREL PGOV PINR EFIN ETRD ECON BR

SUBJECT: PROFILE OF 2010 PRESIDENTIAL FRONT-RUNNER: JOSE SERRA

REF: A. SAO PAULO 581 (08)

1B. SAO PAULO 679 (08)

1C. SAO PAULO 650 (08)

1D. SAO PAULO 497 (08)

Classified By: Consul General Thomas White; Reasons 1.4 (b) and (d).

11. (C) Summary: Sao Paulo State Governor Jose Serra (PSDB) is on a roll, with an ally recently taking the Sao Paulo Mayor's Office (Ref A) and a former PSDB rival, Geraldo Alckmin, joining his government as a key advisor. These moves help reinforce Serra's drive to become Brazil's next President. Serra is a complex man with a significant academic record and a demanding -- and highly successful -- results-oriented administrative style. Though strongly nationalist in his inclinations, Serra would likely have little patience for -- and little in common with -- the antics of the "resource caudillos" (Evo Morales, Hugo Chavez) that now lead South America's anti-Washington Left. Further, Serra's nationalism could well compel him to deal with a problem increasingly recognized by Brazil's foreign policy experts, that of the growing instability of the country's neighbors and its possible spillover effects for Brazil (Ref D). Finally, Serra's personal qualities -- his passion for education, the easy rapport he achieves with school children (as opposed to his reserve around adults), and his inability to "suffer fools" -- all could open pathways to building a relationship with a talented administrator who may well become Brazil's next President. Despite his tendency to keep the U.S. at arm's length, Serra might well function as a positive interlocutor for the United States. End Summary

Serra on a Roll

12. (C) Since seeing his DEM Party ally, Gilberto Kassab, win a landslide victory in Sao Paulo's municipal election in November, PSDB Sao Paulo State Governor Jose Serra has been on a roll in his quest to capture Brazil's Presidency (Ref A). He has announced an alphabet soup of programs to stimulate the state economy in the face of the financial crisis and, in his latest coup, he convinced former PSDB opponent Geraldo Alckmin to join his administration (Ref B). (Note: Alckmin was allied with Serra's chief rival for the PSDB presidential nomination, Minas Gerais Governor Aecio Neves. Alckmin's joining Serra strikes a blow to Neves' chances of successfully challenging Serra. End Note.) Like

any leading candidate, Serra merits close analysis. In his case, this becomes doubly important since Serra himself is a highly atypical politician with particular quirks (his insomniac workaholism and seemingly anti-social style) and interests (including a passion for elementary education). While some of these idiosyncrasies may at first appear off-putting (even his friends agree he is difficult), these qualities, if managed carefully, could also become the building blocks of a positive relationship. This profile was prepared following interviews with a number of people who work closely with Governor Serra in a wide variety of capacities. The group was striking for its intense loyalty to Serra, their frank descriptions of some of his antipathetic qualities (which they have learned to take in stride), and their dedication and evident competence. Though Serra is a demanding boss, he attracts and inspires a results-based dedication to public service, evident in the "Serristas" with whom we spoke.

¶3. (C) Interviewees included: PSDB Senator Paulo Renato Sousa, São Paulo State (SP) Secretary for Institutional Relations Jose Henrique Reis Lobo, SP Civil House Chief Aloysio Nunes, SP Education Secretary Maria Elena Guimaraes, and SP Education Ministry Special Advisor Cristina Ikonomidis (who is the special handler for Serra's weekly forays to teach in public schools), Federal Deputy for the PCdoB (Communist) Party Aldo Rebelo, political consultant Thiago Aragao, Bradesco Bank Economist Fernando Honorato Barbosa, and former SP Governor Claudio Lembo.

Bio Notes: Not Your Usual Politician

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¶4. (C) Serra is famous for his introverted interpersonal style. He is uncomfortable in the kinds of relaxed social settings and personal interactions at which the vast majority of politicians excel. He is also hard to reach, seldom confirming appointments until the last minute. (Official meetings are nearly always scheduled in the late afternoon, due to his insomnia, a condition for which he reportedly refuses to take medicine.) Last year, he created a minor crisis for the Canadian Consulate when he canceled a meeting with Canada's Governor General (the Crown's representative in Canada) the day before the event.

From Student Leader to Pragmatic Leftist

¶5. (U) Serra arose as the leader of the national student union that opposed Brazil military leaders in the 1960s. He left the country and went into exile in 1964, living in Chile, Argentina and the U.S. (By Serra's own account, he barely survived the 1972 coup in Chile; Jose Serra, "The Other September 11," *Dissent*, Winter 2004.) During this time, he married, started a family and earned his Ph.D in Economics from Cornell University, returning to Brazil after political amnesty was declared in 1978. (Note: Serra's Chilean spouse's maiden name was Allende. By his description, she is a distant relative of the late Chilean President. End Note.) Serra was clearly influenced by the anti-military regime currents then circulating among Latin American intellectuals. Nonetheless, he remained a strong technical economist and never fell into a simplistic criticism of either capitalism or the United States.

¶6. (U) After Brazil returned to democracy, Serra served in the administration of President Fernando Henrique Cardoso (1994-2002). His most prominent role was that of Health Minister. There, he distinguished himself for his willingness to use the state as an effective, if blunt, instrument in pursuit of his policy goals. He enabled Brazil to break patents and produce its own anti-AIDS generic drugs. He also forced cigarette companies to ramp up the warnings they are required to attach to their advertisements. To this day, Brazilian cigarette warnings are often graphic and even gruesome, featuring pictures of amputees that demonstrate the

dangers of smoking.

Education: Serra Up Close and Personal

¶7. (C) Serra's no-nonsense administrative style and key aspects of his personality are on clearest display in his attitude toward education. As Governor, working with State Education Secretary Maria Elena Guimaraes, he has brought solid improvements to a sector that many international evaluations have identified as a key weakness in Brazil. Among the achievements:

--Until last year, teacher absenteeism averaged 39 days per year in Sao Paulo public schools. Serra and his Education Secretary pushed through mandates requiring solid medical excuses for absence totals that ran over ten days, and this has pushed teacher absenteeism down dramatically.

--Most Brazilian textbooks and teachers retain strong, anti-market, pro-Workers Party and pro-leftist biases (including some strong bias against the U.S., to be reported septel). This Marxist lean is complemented and reinforced by inadequate teacher training, which leaves many instructors without any practical idea of how to actually control and manage their large classrooms. Serra's people have responded by developing a whole series of supplementary texts filled with practical activities for use in the classroom and with material that tends to soften existing biases. The texts were originally condemned by the leftist Sao Paulo State Teachers Union, but have been embraced by teachers, students and parents.

Serra's Heart in the Classroom

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¶8. (C) For Serra, education is far more than simply an issue. It represents an intensely personal commitment. Once a week, Serra travels from the Governor's Palace to visit a different school and to teach a class, most often an elementary school math class. The location of the school is kept under wraps until the day before the visit, when students receive a bio of the Governor. People from the State Education Ministry and the press are never invited. Serra usually warms up the students with a joke, often by asking them their regular teacher's name and then deliberately misspelling it when he writes it on the board (thus allowing the students to "correct" the Governor). He enjoys teaching geometry. At times, he will also go through the newspaper with the students. These regular school visits are a high-priority, deliberately low-profile activity for Serra and appear to feed both his policy and personal side.

¶9. (C) Serra uses the trips to inform himself of school quality. State Education Secretary Guimaraes related how often, after one of the Governor's school visits, she will receive a 3AM e-mail asking about conditions in the school and/or remarking about the overall academic level of the students. If Serra sees problems, he will insist that she address them. Serra's style in grilling her, she says, is never abusive, but is insistent, direct, and fact-based. According to Cristina Ikonomidis, Special Advisor to the State Education Ministry and the official "handler" for all of Serra's school visits, the normally-dour Governor transforms completely when in the classroom. Serra, who has great trouble relating to other adults, quickly establishes a bond with the school children. Photos that Ikonomidis took of the school visits confirmed this view. They showed the usually-serious Serra smiling and interacting energetically with school children.

From Darling of Finance to "Serraphobia"

¶10. (SBU) Serra's strong record as Health Minister helped him win the PSDB nomination for President in 2002, when he ran against PT candidate and current President, Luis Ignacio

Lula da Silva (Lula). During the campaign, Serra was the strong favorite among the financial community, which feared the possible consequences of Lula's election, according to Bradesco Bank economist Fernando Honorato Barbosa. At that time, Serra championed what Barbosa loosely labeled "a China strategy" for Brazil. The central government should push down interest rates and work to keep Brazil's currency from appreciating to promote both economic growth and exports.

¶11. (C) While Serra seemed like the safe bet for high finance next to candidate Lula, once Lula became President, opinion in the financial community shifted dramatically. Business fell in love with Lula, whose embrace of predecessor Fernando Henrique Cardoso's macroeconomic policies has enabled them to make a great deal of money during Brazil's recent economic boom. In the meantime, Serra's former advocacy of government intervention in interest rates and currency values combined with the heavy-handed tactics he employed as Health Minister have worried some in the finance and business communities (causing many to use the cliche, current in some Sao Paulo circles, that "Serra is more leftist than Lula"). (Note: Bradesco economist Barbosa dismissed the fears of financial intervention, saying that, if elected, Serra would find interest rates falling for economic reasons and would have no reason to use the heavy hand of the state to influence them. Barbosa did concede, however, that even in Bradesco's own economic unit, there is an ongoing debate over just how interventionist Serra might become as President. End Note.)

From Sao Paulo to...the Presidency?

¶12. (SBU) Serra was elected Mayor of Sao Paulo in 2005 and resigned in 2006 to run for Governor of the state that same year. Serra successfully engineered the election of his vice Mayor, Gilberto Kassab (DEM), to the Mayorship in November ¶2008. As Governor, Serra has undertaken a number of policies

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that have saved the state money and he is investing those funds in "New Deal" type programs that anticipate responses to the global financial crisis (Ref B). In particular, Serra's moves seem designed to stymie the advantage of his most likely opponent in the 2010 presidential election, possible Worker's Party (PT) candidate Dilma Rousseff (President Lula's Chief of Staff equivalent), whom President Lula has put in charge of the PAC infrastructure program. Serra appears determined to head off any advantage Rousseff might derive from this position by initiating his own infrastructure projects at the state level and finishing them faster and with greater efficiency than national projects.

Serra's likely Macro-View: Green Energy Nationalism

¶13. (C) Serra's top-down, state-oriented approach to problems is less market-dependent than the solutions that the USG has generally favored. That said, there is no fundamental disagreement between USG orientations and the kind of resource-careful, scrupulously honest and doggedly efficient programs Serra promotes. Potential conflict has manifested itself, however, in Serra's evident energy nationalism. In addressing the November 17-21, 2008 Biofuels Conference in Sao Paulo, Serra lambasted U.S. trade policy and USG support for corn ethanol as inefficient, harmful to the development of a more robust global biofuels market, and a contributing cause to last summer's brief rise in global food prices (Ref C). Serra closed his remarks by expressing Brazil's willingness to help other countries develop ethanol production. While some of Serra's remarks, no doubt, represented pre-electoral positioning, they also likely show his convictions. In fact, the US-Brazil Biofuels MOU specifically talks about both countries cooperating to help less developed countries enter the biofuels market, a fact Serra skipped. Serra's flourish of "green" energy nationalism signals a desire, held by many Brazilian elites, to stiff-arm the U.S., even on an area where previous

cooperation had been pledged.

Comment: Opportunity in Complexity

¶14. (C) Should Serra win the Brazil 2010 elections, he will take power at a time when the South American continent is becoming more polarized between responsible and/or reformed progressives (Uribe, Garcia) on the one hand, and populist "resource caudillos" (Morales, Chavez, Correa, Lugo) on the other. While Serra's left-oriented past, preference for state-based solutions, and his tendency to embrace Brazilian nationalism (perhaps by creating distance between Brazil and the U.S.) pose a set of unique diplomatic challenges, Serra will likely not/not mix well with the likes of Morales or Chavez. Indeed, Serra's most difficult foreign policy challenge will be how to reconcile Brazil's traditional approach of paternalism and third world solidarity with the fact that the GOB is increasingly finding itself out of step economically and politically (especially in multilateral fora) with its neighbors (Ref D). Domestically, Serra's reform efforts have led him into conflict with left-corporatist groups such as the SP Teachers Union, the kind of leftist redoubt whose leadership likely admires Hugo Chavez, and who would probably cause him trouble as President. If he becomes Brazil's Chief Executive, Serra would probably employ a nuanced strategy similar to President Lula's that would speak to domestic and regional interests, perhaps using the rhetoric of the left, while engaging actively and responsibly with the U.S. both bilaterally and multilaterally.

¶15. (C) Governor Jose Serra is a complex and able leader. He has proven administrative experience and a talent for picking excellent people. He would be a complicated interlocutor, but, if his interests and qualities are taken into proper account, he could be a good functional friend of the U.S., providing capable leadership to South America's largest country and drawing a positive contrast between his own results-oriented style and that of several of his populist neighbors.

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¶16. (U) This cable was cleared by the Embassy in Brasilia.
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